

Message Text

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73

ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 OES-03

FEA-01 INT-05 TRSE-00 OMB-01 /066 W

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R 150833Z JAN 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2185

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMCONSUL MEDAN

AMCONSUL SURABAYA

AMEMBASSY SINGAPORE

C O N F I D E N T I A L JAKARTA 0599

EO 11652: GDS

TAGS: ECON PDEV ID

SUBJECT: SADLI ON PERTAMINA PROBLEM

REF: JAKARTA 0370

1. SUMMARY: MINISTER OF MINES MOHAMMED SADLI HAS ISSUED A NEW YEAR'S STATEMENT SAYING "WE ARE ALL GUILTY OF FAULTS WHICH LED TO PERTAMINA FINANCIAL CRISIS" - "EXTRAVAGENT" USE OF "WINDFALL" OIL WEALTH, EMULATING LIFESTYLES OF RICH NATIONS AND "MORTGAGING" THE FUTURE FOR LOANS. HE URGED LEADERS TO PRACTICE DISCIPLINE AND AUSTERITY TO PRESERVE THEIR HONOR. SADLI'S LECTURE, LIKE PRESIDENT SUHARTO'S BUDGET SPEECH (REFTEL) REFLECTS GOI LEADERSHIP'S DESIRE TO DRAW PUBLIC LESSON FROM PERTAMINA DEBACLE, NOTWITHSTANDING SADLI'S WARNING AGAINST RECRIMINATIONS AGAINST ANY ONE SIDE, HIS COMMENTS WILL BE SEEN AS REBUKE TO PERTAMINA AND ITS CHIEF, IBNU SUTOWO. END SUMMARY.

2. IN STATEMENT REPORTED IN PRESS JANUARY 14, SADLI NOTED THAT DAMAGE FROM PERTAMINA PROBLEM HAS BEEN HIGH. REPEATING PHRASE PREVIOUSLY USED BY SUHARTO, HE CALLED IT A "BITTER LESSON" THAT
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MUST NOT RECUR, AND BLAMED PROBLEM ON "OUR WEAKNESS AS A GROWING

NATION." WARNING AGAINST RECRIMINATIONS, HE SAID "WE ARE ALL GUILTY" AND INCLUDED HIMSELF AS MINISTER OF MINES RESPONSIBLE FOR OIL AFFAIRS.

3. SADLI THEN LECTURED ON NEED TO SAVE AND ECONOMIZE IN GOOD TIMES, TO PROVIDE FOR THE HARD TIMES, RATHER THAN "MORTGAGING" THE FUTURE BY RELYING ON LOANS, HE USED ANALOGY OF THE FARMER IN TIMES OF PLENTY AND HUNGER, INDONESIAN WAS LUCKY IN 1973 AND 1974 BECAUSE OF "WINDFALL" OIL PROFITS, HE SAID; BUT INSTEAD OF CAUTION WE INDULGED IN "EXTRAVAGENCE""INVESTING IN THE SATISFACTION OF DESIRES" AND "BORROWING MONEY RIGHT AND LEFT, WITHOUT ACCOUNTING FOR IT. "REGRETTABLY, RULES DESIGNED TO PROTECT THE NATION'S WELFARE WERE SIDESTEPED"AND RESTORING THESE "WILL BE A VERY DIFFICULT TASK," SADLI SAID.

4. SADLI CALLED FOR VIGILANCE BY THOSE RESPONSIBLE FOR PROTECTING INDONESIA'S WEALTH "WHICH IS NOT OUR OWN, BUT THE PEOPLES. HE SAID "BOOM" OIL PRICES AND SUBSTANTIAL NATURAL RESOURCES HAVE NOT MADE INDONESIANS RICH IMMEDIATELY, AND POPULAR INCOME IS STILL LOW. THEREFORE, "WE MUST LIVE SIMPLY, LIKE THE MAJORITY OF OUR PEOPLE" HE SAID, WARNING THAT THE STYLE OF LIFE OF JAPAN OR THE WEST IS NOT APPROPRIATE TO INDONESIA. "IF WE BEHAVE LIKE RICH PEOPLE AND HAVE TOO MANY DEBTS, WE LOSE OUR HONOR AND RESPECT."

5. COMMENT: SADLI, UNLIKE SOME GOI LEADERS WHO SERMONIZE ON THE SIMPLE LIFE, HAS A REPUTATION FOR ABSOLUTE PROBITY, WHICH IS REFLECTED IN HIS MODEST STANDARD OF LIVING. HE HAS BEEN MORE OUTSPOKEN THAN OTHER GOI LEADERS ON THE PERTAMINA CRISIS, AND IS REGARDED BY IBNU SUTOWO AS A SPECIAL ENEMY AMONG HIS TECHNOCRAT ADVERSARIES. ALTHOUGH SADLI SPOKE OF SPREADING THE BLAME FOR PERTAMINA'S PROBLEMS, HIS PREACHMENTS ON "EXTRAVAGENCE," "BORROWING RIGHT AND LEFT" AND APING RICH FOREIGNERS WILL, NEVERTHELESS, BE READ AS A STIFF REBUKE TO PERTAMINA AND IBNU, WHO ARE THE PROMINENT SINNERS.
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